

Advance-fee loans

Advance-fee loan sharks are preying on unwary consumers, taking their money for the promise of a loan or credit, and leaving them in hot water. The scam artists often impersonate legitimate lenders to entice consumers into falling for their bogus offer.

According to law enforcement agencies in the U.S. and Canada, ads and promotions for advance-fee loans suggest – or even “guarantee” – that there is a high likelihood that a loan will be approved, regardless of the applicant’s credit history. But to take advantage of the offer, the consumer has to pay a fee. The catch? The scam artist takes off with your fee, and the loan never materializes.

Six signs of an advance-fee loan scam

- 1. A lender who is not interested in your credit history.** A lender may offer loans or credit cards for many purposes – for example, so you can start a business or consolidate your bills. But one who does not care about your credit record should worry you. Ads that say “Bad Credit? No problem” or “We do not care about your past. You deserve
- a loan” or “Get money fast” or even “No hassle – guaranteed” often indicate a scam.
- Banks and other legitimate lenders generally evaluate creditworthiness and confirm the information in an application before they grant firm offers of credit to anyone.
- 2. Fees that are not disclosed clearly or prominently.** Scam lenders may say you have been approved for a loan, then call or email demanding a fee before you can get the money. Any up-front fee that the lender wants to collect before granting the loan is a cue to walk away, especially if you are told it is for “insurance,” “processing,” or just “paperwork.”
- Legitimate lenders often charge application, appraisal, or credit report fees. The differences? They disclose their fees clearly and prominently; they take their fees from the amount you borrow; and the fees usually are paid to the lender or broker after the loan is approved. If a lender says they will not check your credit history, but wants your personal information, like your Social
- Security number or bank account number? Go somewhere else. They may use your information to debit your bank account to pay a fee they are hiding.
- 3. A loan that is offered by phone.** It is illegal for companies doing business by phone in the U.S. to promise you a loan or credit card and ask you to pay for it before they deliver.
- 4. A lender who uses a copy-cat or wanna-be name.** Crooks give their companies names that sound like well-known or respected organizations and create websites that look professional. Some scam artists have pretended to be the Better Business Bureau, a major bank, or another reputable organization; some even produce forged paperwork or pay people to pretend to be references. Always get a company’s phone number from the phone book or directory assistance, and call to check they are who they say they are. Get a physical address, too: a company that advertises a PO Box as its address is one to check out

with the appropriate authorities.

5. A lender who is not registered in your state.

Lenders and loan brokers are required to register in the states where they do business. To check registration, call the WI Department of Financial Institutions at (800) 452-3328. Checking registration does not guarantee that you will be happy with a lender, but it helps weed out the crooks.

6. A lender who asks you to wire money or pay an individual.

Do not make a payment for a loan or credit card directly to an individual; legitimate lenders do not ask anyone to do that. In addition, do not use a wire transfer service or send money orders for a loan. You have little recourse if there is a problem with a wire transaction, and legitimate lenders do not pressure their customers to wire money.

What to do if you are a victim

If you believe you have been victimized by a fraudulent advance-fee loan operation, contact the Bureau of Consumer Protection to report the company.

Where to find low-cost help for credit problems

First, try to solve your debt problems with your creditors as soon as you realize you will not be able to make your payments. If you cannot resolve your credit problems yourself or need additional assistance, you may want to contact Consumer Credit

Counseling Service (CCCS) – a nonprofit organization with more than 700 offices located in 49 states that counsels indebted consumers. CCCS counselors will try to arrange a repayment plan that is acceptable to you and your creditors. They also will help you set up a realistic budget and plan for expenditures. These counseling offices, funded by contributions from credit-granting institutions, are offered at little or no cost to consumers. You can find the CCCS office nearest you by calling or checking their website at:

(800) 350-2227

www.cccsonline.org

In addition, non-profit counseling programs sometimes are operated by universities, military bases, credit unions, and housing authorities. They are likely to charge little or nothing for their assistance. Or, you can check with your local bank or consumer protection to see if it has a listing of reputable, low-cost financial counseling services near you.

Wisconsin law protects

Wisconsin law regulates credit services organizations and prohibits them from making any untrue or misleading representations in the offer or sale of services. The law pertains to companies or individuals that claim they can improve your credit report, history or rating or can arrange for credit. It applies to both for-profit and not-for-profit organizations.

Under the law, credit service organizations must register with the Department of Financial

Institutions and provide a \$25,000 bond or letter of credit in order to do business in Wisconsin.

Before a credit services organization can receive payment or complete a contract with you, they must provide a written statement that contains the following:

- A notice of your right to review any file maintained on you by a consumer reporting agency (credit bureau), as well as your right to obtain a copy of the file free of charge if you request a copy within 30 days after being denied credit.
- A notice of your right to dispute the completeness and accuracy of any item contained in a consumer reporting agency file.
- A description of the services to be performed by the credit services organization and the total amount you will be charged for the services.
- A notice of your right to proceed against the bond.

Carefully consider this information. Many consumers have paid credit services organizations hundreds of dollars for services which are available free-of-charge or involve rights that are guaranteed by the federal Fair Credit Reporting Act. If you do decide to work with a credit service organization, state law now requires them to provide you with a written contract. The contract must include all of the following:

- The organization's name and address.

- A description of the services to be performed and an estimate of the length of time it will take to perform the services.
- All terms and conditions, including the total amount you will be charged for the services.
- A notice that you may cancel the contract, without any obligation or penalty, **within five days** after the date the contract is signed. A notice of cancellation form must be attached to the contract.
- A statement that the organization is registered with the Department of Financial Institutions.

Carefully review all contract information

Check with the Department of Financial Institutions or the Bureau of Consumer Protection to find out about any complaints filed against certain companies or individuals.

For more information or to file a complaint, visit our website or contact the Bureau of Consumer Protection.

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